

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – OCTOBER 29, 2003

PRESENT Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending October 26, 2003 shows retail sales for the week ending 10/26/03 were up about 7.4%, on-premise sales were up 3.7%, off-premise sales were up 21.8%, and total aggregate sales were up 9.34%. The traffic count increased by 6,476, as did the average sale by \$1.21.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up 9.34% or \$606,154 for the weekly comparison, and were also up 8.95% or \$10,491,294 for the year. Wine sales for the week increased by 11.97% or \$366,265, as they did for the year by 9.42% or \$4,881,140. Sales of spirits were up almost 7% or \$239,890 for the week, and were also up year-to-date by 8.58% or \$5,610,354.

There was nothing of significance to report regarding outstanding depletions and post-offs for this week.

A gift card study has been done covering a period of five months (May 15th through October 25th) which shows industry standards obtained from publications and articles. The average card value was around \$35.00, and this will probably increase over time. The standards also show that 10% of these cards have not been redeemed. Although some Commission gift cards have not been redeemed (such as those depicting the Old Man of the Mountain), Craig believes redemptions will increase over time. A report regarding this will be presented on a quarterly basis.

Craig was able to obtain a report from Liberty Mutual which contained all injuries occurring from 1995. Total payoffs totaled \$785,000, which indicates a significant problem. Work will be done with Liberty to identify training methods to reduce these incidences. George remarked that this will be an issue when entering the new budget process, as only about \$207,000 is budgeted for workman's compensation costs.

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At the last Bureau Chief's meeting, the Commission asked for feedback to be used in the development of an internal lapse. Craig asked the department heads to submit their input to George by this coming Friday, and a report will be developed and submitted to the Commission.

The revised RSA concerning insurance for group 1 employees will become effective July 1, 2004. Medical insurance for new hires for retirement will require twenty years instead of ten. Craig will e-mail information on this sometime this afternoon.

The Governor's office is making efforts to develop metrics for state agencies, each of which is being asked to identify metrics they can use. Craig recommended reading an excerpt from former Mayor Rudy Giuliani's book on this subject.

The latest Expense Budget Activity Variance Report shows the year to be at about 32.88% expended, with total agency expenditures at a little over 30%. The only two accounts of concern right now are workman's compensation and Class 50 stores. However, utilities are also being closely monitored.

The 12,000 mile car report has been sent to Administrative Services, and store probability reports have been forwarded to Peter Yao. O'Neill Griffin Bodi received the Commission's financial information for the annual report last week as well.

A group of snow removal contracts have been kicked back several times from the Attorney General's office because of a few issues regarding corrections to them. These contracts will be going over to Governor and Council as retroactive items.

Accounting is still awaiting advice from Administrative Services as to how to handle sweepstakes checks for employees. In addition, effective as of yesterday, fifteen Bank of New Hampshire accounts were consolidated into one.

It appears as if projected revenues of \$9.3 million will fall short this month. Last year at this time they were at \$8.8 million; presently they are at a little over \$8 million.

B. IT Reports

Information has been received from ACR on gift cards. Financial information will be ready for Commission approval probably within a week.

There will be a conference call taking place concerning RiTA and duplicate debit transactions. Howard reported that Pennsylvania is experiencing similar difficulties.

The new contract with Dell is almost completed, and will be presented for Commission signatures within a week. It will then go to DITM for approval, and then probably forwarded to the Attorney General's office.

Howard said there were two main topics discussed at the recent NABCA Administrators Conference. The first concerns the new bioterrorism requirements, for which both warehouses will have to be registered. Should a problem occur, the FDA will have to be informed as to where product was shipped. Uniformity is required to take care of this process. John Bunnell said a format will provide the Commission with registration requirements and specify how to track products. The second topic concerns the IT Committee asking the NABCA board to get vendors to provide pictures and descriptions of their products to make them easy to recognize when there are internet inquiries.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total retail sales for the week ending October 26, 2003 increased by 6.66% or \$332,391.54. There was a drop in activity in Keene, the majority of which was picked up at the Chesterfield and Swanzey locations. The new Keene store opened last Tuesday.

A managers' meeting took place at the Puritan Back Room last Wednesday for the holiday kick-off. Three brokers also participated in the meeting.

Yesterday the first training session (WATTS) took place at Enforcement, which went very well. Peter will send out an informational e-mail today. Sessions have been scheduled from next week through Thanksgiving week.

Work is starting at the new Brookline location, which was delayed due to restroom requirements by the town. The store is scheduled to open on November 17th.

a. Deed for Keene Liquor Store (Konover Site):

Commissioner Russell reported that she spoke with the board chairman of the Keene Planning Board regarding their Monday night meeting. He said that they were still awaiting the traffic study for the Konover site. After some brief discussion, it was moved by Commissioner Byrne, seconded by Commissioner Russell, that John Bunnell proceed with the Department of Transportation to take the necessary steps to have the deed executed and move forward with the Konover project. The motion was unanimously adopted.

2. Purchasing Report:

John commented that at the NABCA conference it was revealed that many states were experiencing out of stock difficulties. He said Finlandia, which had

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designed a new glass bottle prone to breakage, was now back in stock with sufficient back up. There are no other serious problems at this time.

3. Merchandising Report:

A. SPIRITS:

1) Columbus Day Sale:

The results of the Columbus Day Sale, which took place from Thursday, October 2 through Monday, October 13, 2003 and which were moderately successful, were noted by the Commission.

2) Test Market Products:

a. Test Market Request (Cruzan Estate Light & Dark Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Todhunter Imports, Ltd. for new test market product listings for Cruzan Estate Light Rum, 1.75L size (assigned Code #8452) and Cruzan Estate Dark Rum, 1.75L size (assigned Code #8451), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. Test Market Result (Codes #925, #926 & #8510):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty listings to the following three (3) spirit items which exceeded their respective gross profits required for specialty status at the conclusion of a six-month test market period, to be carried in specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist: Code #925, Hangar One Vodka, 750ML size; Code #926, Hangar One Kaffir Vodka, 750ML size; and Code #8510, Just Desserts Crème Liqueur, 750ML size. The motion was unanimously adopted.

3) Hot Brand Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard to add Code #2645, Chivas Regal, 750ML size to the Hot Brand Program effective November 3, 2003 through April 30, 2004, to be featured on sale from November 3 through December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

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4) Grey Goose “La Vanille” Holiday Cookie Sampling:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sidney Frank Importing Co. to conduct Grey Goose “La Vanille” cookie samplings in Stores #34 Salem, #38 Portsmouth, #50 and #69 Nashua, #73 and #76 Hampton and #67 Hooksett from November 15 through December 21, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

5) December Special Offers:

a. 168 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and sixty-eight (168) spirit items, to be featured on sale during December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. 92 unmatched items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of ninety-two (92) spirit items (without matching state funds), to be featured on sale during December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

6) Tabled Items:

a. December Special Offers (2 items – M.S. Walker, Inc.): tabled from 10/15/03, Item #A-4-a):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, as two spirit special offers were withdrawn by M.S. Walker, Inc. and re-submitted as post-offs for the month of December. The motion was unanimously adopted.

B. WINES:

1) Proposed Wine Sale for January 2004 (Jan. 5, 2004 – Feb. 1, 2004):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML size wines on sale at 20% off on the purchase of twelve (12) or more bottles from January 5 through February 1, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Special Offer for November and December 2003 (1 item – Executive Wine & Spirits):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Executive Wine & Spirits, based upon depletions of one (1) wine item, to be featured on sale during November and December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Special Offers for December 2003:

- a. 14 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of fourteen (14) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 10 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of ten (10) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 47 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of forty-seven (47) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 134 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and thirty-four (134) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 62 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty-two (62) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 120 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and twenty (120) wine items, to be featured on sale during December 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Store Tastings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. to conduct in-store tastings on November 7 and 21 and December 5 and 19, 2003 from 4:00 to 7:00 p.m. in Stores #60 West Lebanon, #69 Nashua, #4 Hooksett, #23 Conway and #25 Stratham, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

Chief Moore asked if brokers provide an indemnification agreement as part of tastings. Nicole explained that they are conducted in a very controlled environment. Chairman Maiola asked Chief Moore to look into this further.

- 5) General Distribution (Code #28318):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the general distribution of Code #28318, Riesling Turning Leaf, 750ML size, as the product has earned a gross profit of at least \$6,500 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

6) Recommended Special Wine Distribution (16 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of sixteen (16) special wine codes, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

7) “R” Wines Approval for Allocation to Licensees (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the allocation of three (3) “R” wines to licensees selected by broker and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

8) Recommended Allocated Wines for Distribution to Selected Stores:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty (20) allocated wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

9) Not Recommended – Wine Specialty & Allocated (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny three (3) wine items for designation as wine specialty and allocated due to out-of-date vintages, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

10) Primary Source Submissions (39 items – exclusive agent; 47 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of thirty-nine (39) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and forty-seven (47) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated October 16 through October 29, 2003. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon requests (pad, necker and consumer offer) for the month of November 2003. The motion was unanimously adopted.

3. Late Items:

a. Holiday Season 2003 – Extended Hours Recommendations and Security Detail Recommendations:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve recommendations for holiday extended hours and security details for the 2003 holiday season, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was passed on a two to one vote, with Commissioner Byrne in opposition.

b. Additional Sunday Store Hours of Operation:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional Sunday store hours of operation for both Store #21 Peterborough and #51 Pelham (10:00 a.m. to 6:00 p.m.), effective Sunday, November 16 through Sunday, January 4, 2004, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Day After Thanksgiving – Friday, November 28, 2003:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the opening of all retail stores for business on Friday, November 28, 2003, following normal Friday store

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hours and staffing patterns, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Store Hours of Operation and Staffing Recommendation – New Year's Day, Thursday, January 1, 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve hours of operation and staffing for fifteen (15) retail stores on New Year's Day, Thursday, January 1, 2004, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4. Other:

Michael Goclowski reported that all of the restricted licensees were moved onto the new website last week. Everything went fairly well, with the exception of complaints from one licensee. All retail stores were set up with access accounts so products can be ordered through a checking system. If all goes well, in the next week or two another 100 licensees will be transferred over.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

